



NEWS

Lower electricity prices on the horizon for South Australians

Australian Energy Market Commission
Residential electricity price trends report 2020

South Australian households look set to see an 11% or \$200 drop in electricity prices between now and 2023, according to the Australian Energy Market Commission's annual Residential electricity price trends report.

The 2020 report shows falling environmental costs, lower wholesale costs and lower network costs are behind the expected lower prices.

AEMC Chief Executive Benn Barr said the 11th price trends report released today shows that costs are falling across all three key drivers of South Australian consumer bills between FY 2019/20 and 2022/23.

- **Wholesale costs** are the largest driver of these lower prices. They are expected to fall by 41% or about \$350 (an annual average drop of 16.1%) and the dip is largely due to new supply of renewables coming online and lower gas prices.
- **Environmental costs** are expected to fall by 9% or \$15 (an annual average drop of 3%). This is mainly due to the cost of green scheme certificates under the Large-scale renewable energy target becoming cheaper.
- **Network costs** will likely be 1% or about \$10 lower, due to network businesses earning less from their capital investments (an annual average drop of 0.4%).

"It's great to see prices falling because at the AEMC what drives us is how to keep the lights on and costs down in a decarbonising power system," AEMC Chief Executive Benn Barr said. "We are working with our colleagues on the Energy Security Board to best manage the major transformational change that is taking place in the national electricity market."

"Understanding what's driving prices can give the South Australian Government information on underlying costs to compare with price changes retailers seek to make from 1 July.

"This report has been giving governments forward looking, policy-relevant information on energy prices for more than a decade – but it is important to stress these are projections not predictions. Trends can change sharply in response to new policies and sudden market changes."

Prices in this report are based on a 'most common South Australian consumer' – a two-person household with no pool or off-peak hot water, consuming 5000kWh of electricity a year, in addition to having a mains gas connection.

Actual prices will depend on how and when electricity is used in each home and which type of energy offer they are on. Consumers can shop around for the best energy deal using sites such as the Australian Energy Regulator's comparison site Energy Made Easy.

Nearly 92% of South Australian customers are now on market offers – one of the highest in the country – showing that South Australians are shopping around for better deals.

However, for the 8% of customers still on more expensive standing offers, there is an opportunity to save up to \$270 a year on their energy bill if they look at what else is on offer.

Knowing how much power you use and when you use it is becoming more important as new technologies and information platforms become more accessible.

Continued

Integrating new technologies into the power system and expanding consumers' ability to participate in the energy market and control their energy consumption is a key focus for the AEMC.

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About this report

This price trends report informs a range of stakeholders including the International Energy Agency, Reserve Bank of Australia and the Australian Energy Market Operator.

It provides governments with information about which parts of the sector are driving electricity prices and provides context for long-term decision making on energy policy.

It also helps customers understand the costs included in their electricity bill.

Price trends identified in this report are not a forecast of actual prices, but rather a guide to pricing and bill directions based on current expectations, policy and legislation. Actual price movements will be influenced by how retailers compete, the dynamics of wholesale, spot and contract markets, the outcomes of network regulatory decisions and changes in policy and regulation.

Prices modelled are an average of the lowest market offer of each retailer weighted by market share.

Prices relate to a 'typical customer', which refers to the most common type of household based on electricity consumption.

About the AEMC

The Australian Energy Market Commission makes the rules for the National Electricity Market, elements of the natural gas market and related retail markets. We provide strategic and operational advice to governments on energy and protect consumers with the right trade-off between cost, reliability and security

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AUSTRALIAN ENERGY MARKET COMMISSION

ELECTRICITY PRICE TRENDS REPORT 21 DECEMBER 2020

SOUTH AUSTRALIA ELECTRICITY MARKET PRICES ARE DECREASING

In South Australia, household electricity bills are likely to be \$203 cheaper by 2023. All three cost drivers – wholesale, network costs and environmental costs are on their way down in this state, which also has a very high proportion of customers on cheaper market offers.



CONSUMER

The representative consumer in SA is a two-person household using mains gas along with electricity and on a market offer power bill (with total annual consumption level of 5,000 kWh).



Annual electricity bill for a typical residential customer



AT A GLANCE



WHOLESALE

The cost of generating electricity

Wholesale costs are the largest driver of these lower prices. They are expected to fall by 41% or \$349 (an annual average drop of 16.1%) over the reporting period and the dip is largely due to new supply of renewables coming online and lower gas prices.



NETWORKS

Poles and wires costs depend on regulator revenue determinations

Network costs will likely be 1% or \$11 lower over the reporting period, due to network businesses earning less from their capital investments (an annual average drop of 0.4%).



ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Environmental costs are expected to fall by 9% or \$15 (an annual average drop of 3%). This is mainly due to the cost of green scheme certificates under the Australian Government's Large-Scale Renewable Energy Target becoming cheaper. Environmental costs also include SA Government solar feed-in tariffs and retailer energy efficiency schemes.

ABOUT THIS REPORT

The AEMC price trends report informs a range of stakeholders including the International Energy Agency, Reserve Bank of Australia and the Australian Energy Market Operator. It provides governments with information on how costs in different parts of the electricity sector are driving future prices and provides context for long-term decision making on energy policy.

The representative consumer is different for each jurisdiction depending on demographic profiles and is defined by using a representative energy consumption level.